HOUSE BILL No. 1783

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1-25.

Synopsis: Rural economic development tax credit. Provides a credit against state tax liability for certain taxpayers who create at least four new full-time jobs at a site located in a city or town having a population of less than 20,000. Provides that the credit is equal to the greater of 20% of the total wages paid for the new jobs or 20% of the capital investment associated with the new jobs.

Effective: January 1, 2004.

Heim, Stine, Chowning

January 21, 2003, read first time and referred to Committee on Ways and Means.

Introduced

First Regular Session 113th General Assembly (2003)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 2002 Regular or Special Session of the General Assembly.

HOUSE BILL No. 1783

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 6-3.1-25 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2004]:

Chapter 25. Rural Community Job Creation Tax Credit

Sec. 1. As used in this chapter, "capital investment" means:

(1) the construction of a real property improvement; or

(2) the installation of personal property;

by an eligible taxpayer in a rural community.

Sec. 2. As used in this chapter, "eligible taxpayer" means a taxpayer that has less than three hundred (300) employees.

Sec. 3. As used in this chapter, "full-time job" means a position that requires at least thirty-five (35) hours each week and is held by an Indiana resident employee during the entire year.

Sec. 4. As used in this chapter, "pass through entity" means a:

(1) corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);

(2) partnership;

(3) trust;
(4) limited liability company; or
(5) limited liability partnership.

Sec. 5. As used in this chapter, "rural community" means a city or town located in Indiana having a population of less than twenty thousand (20,000).

Sec. 6. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:
(1) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
(2) IC 27-1-18-2 (the insurance premiums tax); and
(3) IC 6-5.5 (the financial institutions tax);
as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

Sec. 7. As used in this chapter, "taxpayer" means a person, corporation, partnership, or other entity that has any state tax liability.

Sec. 8. (a) Subject to the provisions of this chapter, an eligible taxpayer is entitled to a credit against the eligible taxpayer's state tax liability in the taxable year in which the eligible taxpayer creates at least four (4) new full-time jobs at a site located in a rural community.

(b) The amount of the credit allowed under this section is equal to the greater of:
(1) twenty percent (20%) multiplied by the total amount of wages paid for the new full-time jobs created in the taxable year; or
(2) twenty percent (20%) multiplied by the total amount of capital investment associated with the creation of the new full-time jobs in the taxable year.

(c) An eligible taxpayer is not entitled to claim the credit provided by this section for a job that the person relocates from one (1) site in Indiana to another site in Indiana.

(d) An eligible taxpayer may claim the credit under this chapter only if:
(1) the average wage paid by the taxpayer to its Indiana employees within the county in which the jobs are created exceeds the average wage paid in that county; and
(2) the taxpayer certifies to the department and provides proof as determined by the department that, after the creation of the jobs created, the average wage paid by the taxpayer to its Indiana employees within the county in which

the jobs are created will exceed the average wage paid in that county.

Sec. 9. To receive the credit provided by section 8 of this chapter, an eligible taxpayer must claim the credit on the taxpayer's annual state tax return or returns in the manner prescribed by the department of state revenue. The taxpayer shall submit to the department of state revenue proof of the number of jobs created and all other information that the department determines is necessary for the calculation of the credit provided by this chapter.

Sec. 10. (a) If the amount of the credit exceeds the eligible taxpayer's state tax liability, the eligible taxpayer may carry forward the amount of the excess for five (5) successive taxable years. Each time that the credit is carried over to a succeeding taxable year, the credit is to be reduced by the amount that was used as a credit during the immediately preceding taxable year.

(b) A credit earned by an eligible taxpayer in a particular taxable year shall be applied against the eligible taxpayer's state tax liability for that taxable year before any credit carryover is applied against that liability under subsection (a).

(c) The credit provided under this chapter is not refundable.

Sec. 11. If a pass through entity does not have state income tax liability against which the tax credit may be applied, a shareholder or partner of the pass through entity is entitled to a tax credit equal to:

(1) the tax credit determined for the pass through entity for the taxable year; multiplied by

(2) the percentage of the pass through entity's distributive income to which the shareholder or partner is entitled.

SECTION 2. [EFFECTIVE JANUARY 1, 2004] **IC 6-3.1-25, as added by this act, applies to taxable years beginning after December 31, 2003.**